

21 December 2018

Zibao Metals Recycling Holdings Plc
("Zibao" or "the Company" or "the Group")
Half Year Results

Zibao Metals Recycling Holdings Plc (AIM: ZBO), a Hong Kong based, recyclable metal trader and processor is pleased to announce its unaudited half year results for the six months ended 30 September 2018

The Group figures are presented in Hong Kong Dollars.

Highlights

- Revenue decreased by 71% to HKD 139 million from HKD 479 million.
- Gross profit decreased by 91% to HKD 0.3 million from HKD 3.83 million mainly due to lower revenues whilst selling and distribution expenses have decreased marginally to HKD 29,500 from HKD79,500.
- Loss before tax was HKD 2.36million (2017: Profit before tax HKD0.47million) mainly due to lower revenues and margins as a result of the impact of new regulations which came into effect in 2018. The decrease in profit was partially offset by a reduction in administration expenses of HKD0.5 million.
- The closing cash position at period end was HKD 5.4 million (2017: HKD 3.13 million).

Joe Zhou, Zibao Chairman commented:

Market conditions in the PRC and Europe continue to be challenging. New regulations restricting imports into the PRC, introduced earlier in the year, have had a significant and negative impact on the business. The new regulations, imposing higher quality requirements for importation, have, in turn increased the cost of supplies. This has made recycled metals less competitive compared with non-recycled material which has resulted in a significant reduction in demand in the PRC. for recycled metals

As well as exercising tight control of costs and managing the credit risks prudently we continue to seek competitively priced supplies which meet the new requirements. Despite the uncertainties arising from pressures globally, added to local factors in the PRC, we believe the Group is well positioned to benefit from a future recovery and from the re-establishment of a steady and compliant supply source. The flexibility shown by the Group in adapting to changing circumstances is encouraging and we continue to explore opportunities to increase shareholder value.

The Board continues to work very hard to restructure our existing business given the regulatory changes in the PRC. Given the significant fall in revenue in the first half of the year, we are very conscious of the need to preserve our cash resources as we try to find alternative sources of supply and revenue to comply with the new PRC regulations or additional business lines to diversify our operations. We continue to explore both trading and corporate solutions, which may include seeking additional funding, to the issues that we have encountered since April and will keep shareholders informed as to progress.

For further information please contact:

Zibao Metals Recycling Holdings PLC

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About Zibao Metals Recycling Holdings PLC

Established in its current form in 2009, and incorporated as a UK registered company in 2014, Zibao is a trader and processor in non-ferrous metals – principally aluminium and copper. It imports these from a variety of international sources or indirectly from importers based in the People's Republic of China ('PRC') and resells them into the PRC to (a) operators who process them into a 'clean' form for sale to foundries (b) Customers who buy them in clean form. In addition, Zibao also operates a non-ferrous metal processing and stockholding yard based in Nanhai. The purchases by the yard are from importers based in the PRC and the customers are based in PRC.

The Company was formed by Wenjie 'Joe' Zhou, whose family has had interests in recyclable metals for nearly twenty years. During this period he has established good relationships with a range of overseas suppliers, importers based in the PRC and developed an in-depth knowledge of the PRC rules and regulations for the metals recycling industry.

Metals recycling is a multi-million pounds global industry and China is the world's leading importer of copper and aluminium and needs recycling to supplement its growing demand.

Chairman's Statement

We are pleased to report the Company's unaudited interim results for the six months ended 30 September 2018.

Results

The Group's turnover was HKD 139 million, a decrease of approximately 71% on the corresponding period last year, mainly due to impact of new regulations in the PRC restricting importation of scrap materials. Loss before tax increased during the period to HKD2.36 million reflecting lower gross profit margins due to competition and lower revenues.

Suppliers

Three new suppliers have been secured in the first half of the year, adding to the overall supplier base. However, the current supplier base, together with the new suppliers secured, cannot meet the quality and quantity of materials required to meet customer demand.

Customers

Two new customers were added in the first half of the year and at the same time the Group also saw existing customers increase their order volumes. However, due to tighter restrictions on the quality of imports, the amount of materials available to be sold has been significantly reduced.

Outlook

Market conditions in the PRC and Europe continue to be challenging. New regulations restricting imports into the PRC, introduced earlier in the year, have had a significant and negative impact on the business. The new regulations, imposing higher quality requirements for importation, have, in turn increased the cost of supplies. This has made recycled metals less competitive compared with non-recycled material which has resulted in a significant reduction in demand in the PRC. for recycled metals

As well as exercising tight control of costs and managing the credit risks prudently we continue to seek competitively priced supplies which meet the new requirements. Despite the uncertainties arising from pressures globally, added to local factors in the PRC, we believe the Group is well positioned to benefit from a future recovery and from the re-establishment of a steady and compliant supply source. The flexibility shown by the Group in adapting to changing circumstances is encouraging and we continue to explore opportunities to increase shareholder value.

The Board continues to work very hard to restructure our existing business given the regulatory changes in the PRC. Given the significant fall in revenue in the first half of the year, we are very conscious of the need to preserve our cash resources as we try to find alternative sources of supply and revenue to comply with the new PRC regulations or additional business lines to diversify our operations. We continue to explore both trading and corporate solutions, which may include seeking additional funding, to the issues that we have encountered since April and will keep shareholders informed as to progress.

Finally, I would like to take this opportunity to thank our long-standing customers and suppliers as well as our employees for their loyalty and hard work.

Joe Zhou

Chairman
21 December 2018

Zibao Metals Recycling Holdings Plc
Six months ended 30 September 2018
Consolidated Statement of Comprehensive Income

	Notes	6 months to 30 September 2018 HKD'000 UNAUDITED	6 months to 30 September 2017 HKD'000 UNAUDITED	Year to 31 March 2018 HKD'000 AUDITED
Continuing operations				
Revenue	3	138,777	478,904	857,145
Cost of sales		(138,434)	(475,075)	(847,884)
Gross profit		343	3,829	9,261
Other revenues		157	6	11
Selling and distribution expenses		(29)	(79)	(139)
Administrative expenses		(2,826)	(3,283)	(7,338)
Operating (loss)/ profit		(2,355)	473	1,795
Finance cost		-	-	-
(Loss)/Profit before tax		(2,355)	473	1,795
Income tax expense		10	10	(102)
(Loss)/Profit and total comprehensive income for the period		(2,345)	483	1,693
(Loss)/Profit and total comprehensive income for the year attributable to the owners of the Company		(2,345)	483	1,693
(Loss)/Earnings per share	5	HKD	HKD	HKD
Basic		(0.019)	0.004	0.014
Diluted		(0.019)	0.004	0.013

Consolidated Statement of Financial Position

	Notes	As at 30 September 2018 HKD'000 UNAUDITED	As at 30 September 2017 HKD'000 UNAUDITED	As at 31 March 2018 HKD'000 AUDITED
Assets				
Non-Current Assets				
Property, plant and equipment		39,778	37,395	40,571
Intangible assets		1,406	1,507	1,457
		<u>41,184</u>	<u>38,902</u>	<u>42,028</u>
Current Assets				
Inventories		22,286	21,620	25,792
Trade receivables		4,548	14,840	11,440
Prepayments, deposits and other receivables		10,019	9,425	10,066
Tax recoverable		3,268	-	2,367
Cash and cash equivalents	6	5,396	3,131	12,275
		<u>45,517</u>	<u>49,016</u>	<u>61,940</u>
Total Assets		<u><u>86,701</u></u>	<u><u>87,918</u></u>	<u><u>103,968</u></u>
Equity and liabilities				
Equity attributable to owners of the company				
Share capital	7	15,549	15,549	15,549
Share premium		42,167	42,167	42,167
Group reorganisation reserve		(527)	(527)	(527)
Share based payments reserve		662	662	662
Foreign Exchange reserve		(910)	(3,394)	(910)
Retained earnings		7,576	8,711	9,921
Total Equity		<u>64,517</u>	<u>63,168</u>	<u>66,862</u>
Non-current liabilities				
Deferred tax		128	148	137
		<u>128</u>	<u>148</u>	<u>137</u>
Current liabilities				
Trade payables		8,136	9,001	18,295
Accrued liabilities and other payables		4,746	5,971	9,500
Tax payable		9,174	9,630	9,174
		<u>22,056</u>	<u>24,602</u>	<u>36,969</u>
Total Liabilities		<u>22,184</u>	<u>24,750</u>	<u>37,106</u>
Total Equity and Liabilities		<u><u>86,701</u></u>	<u><u>87,918</u></u>	<u><u>103,968</u></u>

Consolidated Statement of Cash Flows

	Notes	6 months to 30 September 2018 HKD'000 UNAUDITED	6 months to 30 September 2017 HKD'000 UNAUDITED	Year to 31 March 2018 HKD'000 AUDITED
Cash flows from operating activities				
Net cash from operating activities	1	(6,879)	(786)	13,092
Taxation		-	(40)	(776)
		<u>(6,879)</u>	<u>(786)</u>	<u>12,316</u>
Net cash (used in)/ generated from operating activities				
Investing activities				
Addition of property, plant and equipment		-	(14)	-
		<u>-</u>	<u>(14)</u>	<u>-</u>
Net generated from / (cash used) in investing activities				
		<u>-</u>	<u>-</u>	<u>-</u>
Net cash from / (used in) in financing activities				
		<u>-</u>	<u>-</u>	<u>-</u>
Taxation				
		<u>-</u>	<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents				
Cash and cash equivalents at beginning of the period		12,275	1,288	1,288
Effect of foreign exchange rate changes		-	2,683	(1,329)
		<u>5,396</u>	<u>3,131</u>	<u>12,275</u>
Cash and cash equivalents at the end of the period				
		<u><u>5,396</u></u>	<u><u>3,131</u></u>	<u><u>12,275</u></u>
Represented by:				
Bank balances and cash		<u>5,396</u>	<u>3,131</u>	<u>12,275</u>

Notes for Consolidated Statement of Cash Flows

1. Net cash from operating activities

	6 months to 30 September 2018 HKD'000 UNAUDITED	6 months to 30 September 2017 HKD'000 UNAUDITED	Year to 31 March 2018 HKD'000 AUDITED
Profit/(Loss) before income tax	(2,355)	473	1,795
Adjustments for:			
Depreciation on property, plant and equipment	793	405	1,590
Interest income	-	6	-
Amortisation	50	50	100
Foreign Exchange Difference	-	(2,127)	-
(Increase) / decrease in inventories	3,507	13,534	9,361
Decrease/(Increase) in trade receivables	6,893	(13,155)	(9,755)
Decrease / (Increase) in prepayments, deposits and other receivables	(853)	(3,764)	(4,405)
Increase / (decrease) in trade payables	(10,160)	2,896	12,190
Increase / (decrease) in accrued liabilities and other payables	(4,754)	896	2,216
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Cash generated from / (used in) operations	(6,879)	(786)	13,092
	=====	=====	=====

Consolidated Statement of Changes in Equity

	Share Capital	Share premium	Share based payment reserves	Group Reorgan- isation Reserve	Foreign exchange reserve	Retained Earnings	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
As at 31 March 2017	15,549	42,167	662	(527)	(1,267)	8,228	64,812
Total comprehensive income for the period	-	-	-	-	-	483	483
Foreign exchange difference	-	-	-	-	(2,127)	-	(2,127)
As at 30 September 2017	15,549	42,167	662	(527)	(3,394)	8,711	63,168
Total comprehensive income for the period	-	-	-	-	-	1,210	1,210
Foreign exchange difference	-	-	-	-	2,484	-	2,484
As at 31 March 2018	15,549	42,167	662	(527)	(910)	9,921	66,862
Total comprehensive income for the period	-	-	-	-	-	(2,345)	(2,345)
Foreign exchange difference	-	-	-	-	-	-	-
As at 30 September 2018	15,549	42,167	662	(527)	(910)	7,576	64,517

Notes to the interim financial information

1. General information

Zibao Metals Recycling Holdings Plc is a company incorporated in England on 9 October 2013 under the Companies Act 2006 but domiciled in Hong Kong. It was listed on the AIM market on 20 June 2014. The Group's principal activity is that of trading and processing scrap metals.

2. Basis of preparation and significant accounting policies

This interim report, which incorporates the financial information of the Company, has been prepared using the historical cost convention, on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, using accounting policies which are consistent with those set out in the financial statements for the year ended 31 March 2018.

Taxes

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Standards and Interpretations adopted with no material effect on financial statements

There are no IFRS or IFRIC interpretations that are effective for the first time in this financial period that would be expected to have a material impact on the Group.

Standards, interpretations and amendments to published standards that are not yet effective.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 April 2018 and have not been early adopted.

Reference	Title	Summary	Application date of standard	Application date of Group
IFRS 16	Leases	Original issue	Periods commencing on or after 1 January 2019	1 April 2019
IFRS 17	Insurance Contracts	IFRS 17 Insurance Contracts	Periods Commencing on or after 1 January 2021	1 April 2021

The directors anticipate that the adoption of these standards and the interpretations in future periods will have no material impact on the financial statements of the Group.

3. Segmental reporting

In the opinion of the directors, the Group has one class of business, being the trading of scrap materials. The Group's primary reporting format is determined by the geographical segment according to the location of its establishments. There is currently only one geographic reporting segment, which is China. All revenues and costs are derived from the single segment.

4. Directors' remuneration

	6 months to 30 September 2018 Salaries, fees and options HKD'000 UNAUDITED	6 months to 30 September 2017 Salaries, fees and options HKD'000 UNAUDITED	Year to 31 March 2018 Salaries, fees and options HKD'000 AUDITED
Wenjie Zhou	120	120	240
Jianfeng Li	120	120	240
Alan Ong	66	58	116
Chin Phang Kwok	66	58	116
Peter Greenhalgh	66	58	116
Ajay Rajpal	66	58	116
	<u>504</u>	<u>472</u>	<u>944</u>

5. (Loss)/Earnings per share

(Loss)/Profit per share data is based on the Group profit for the period and the weighted average number of shares in issue.

	6 months to 30 September 2018 HKD'000 UNAUDITED	6 months to 30 September 2017 HKD'000 UNAUDITED	Year to 31 March 2018 HKD'000 AUDITED
(Loss) /Profit for the period attributable to owners of Company	<u>(2,345)</u>	<u>483</u>	<u>1,693</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share (000's)	122,010	122,010	122,010
Weighted average number of ordinary shares for the purposes of diluted earnings per share (000's)	<u>125,453</u>	<u>125,453</u>	<u>125,453</u>

	6 months to 30 September 2018 HKD'000 UNAUDITED	6 months to 30 September 2017 HKD'000 UNAUDITED	Year to 31 March 2018 HKD'000 AUDITED
Basic loss per share			
Total basic losses per share	(0.019)	0.004	0.014
Diluted loss per share			
Total basic and diluted earnings per share	<u>(0.019)</u>	<u>0.004</u>	<u>0.013</u>

6. Cash and cash equivalents Group

	As at 30 September 2018 HKD'000 UNAUDITED	As at 30 September 2017 HKD'000 UNAUDITED	As at 31 March 2017 HKD'000 AUDITED
Cash and bank balances	5,396	3,131	12,275
Cash and bank balances as presented in balance sheets	<u>5,396</u>	<u>3,131</u>	<u>12,275</u>
Add: Pledged fixed deposits	-	-	-
Cash and cash equivalents as presented in consolidated statement of cash flows	<u>5,396</u>	<u>3,131</u>	<u>12,275</u>

7. Share capital

The issued share capital as at 30 September 2018 was 122,010,000 ordinary shares of £0.01 each (30 September 2017: 122,010,000 ordinary shares of £0.01, 31 March 2018: 122,010,000 ordinary shares of £0.01)

8. Related-party transactions

During the period, the Group entered into the following trading transactions with related parties that are not members of the Group:

	Sales of goods		
	6 months to 30 September 2018 HKD' 000	6 months to 30 September 2017 HKD' 000	Year to 31 March 2018 HKD' 000
Wang Kei Yip Development Limited	-	4,387	11,288

The following balances were outstanding at the end of the period:

	Amounts owed by related parties			Amounts owed to related parties		
	As at 30 September 2018 HKD' 000	As at 30 September 2017 HKD' 000	As at 31 March 2018 HKD' 000	As at 30 September 2018 HKD' 000	As at 30 September 2017 HKD' 000	As at 31 March 2018 HKD' 000
Wang Kei Yip Development Limited	-	-	-	-	597	-

Ben Lee is the brother in law of the director, and is a director of Wang Kei Yip Development Limited. Wang Kei Yip Development Limited is therefore a related party.

The amount due to Wenjie Zhou was unsecured, interest-free and had no fixed term of repayment. All the above transactions were done at arm's length.

9. The unaudited results for the period ended 30 September 2018 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The comparative figures for the period ended 31 March 2018 were extracted from the audited financial statements which contained an unqualified audit report and did not contain statements under Sections 498 to 502 of the Companies Act 2006.
10. This interim financial statement will be, in accordance with the AIM Rules for Companies, available shortly on the Company's website at www.zibaometals.com.
11. The Company is incorporated in the UK but is treated as a Hong Kong resident for tax purposes. Macau and Hong Kong tax has been provided at a rate of 12% and 16.5% respectively. There was deferred taxation in respect of the period.